

COMMENTS ON HB 5239

House Transportation
Committee
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Treasury



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STATE COMMON CASH



- State treasurer manages and invests cash funds of the state in common pool..
- When specific fund revenues do not match statutory time table of payments funds are transferred accordingly. This is inter fund borrowing.
- Most common mismatch occurs in school aid fund.
- Treasurer distributes interest earnings to the several funds.
- The resulting gap represents inter fund borrowing cost.

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CURRENT POLICY

- Incorporated into the enactment of the FY 2004-05 budget by the Legislature.
- Trust funds receive market investment interest and are not included in inter fund borrowing.
- Inter fund borrowing costs capped at 3% for reimbursement of operating funds.

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IMPACT OF POLICY ON MTF IN PERSPECTIVE

- Over the last five years has resulted in only \$6 million reduction in total.
- Last 3 years interest earnings less than 3 % so had no effect.
- Reduction represents 4 ten thousands of MTF revenue (0.0004) .

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HB 5239

- Inconsistent with accounting principles promulgated by Governmental Accounting Standards Board.
- Unconstitutionally assigns functions to the auditor general.
- Addresses one issue in isolation.

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GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

- Funds that reflect operations of government are classified as operating funds in the state's audited annual financial report.
- Only operating funds are used for inter fund borrowing.
- Bill requires reclassifying of unlimited number of funds as trust funds..
- Wholesale designation of trust funds will hamper normal cash management.

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THE AUDITOR GENERAL

- Article 4 Section 53 assigns post audit functions.
- Specifies he shall be assigned no other duties other than those specified in this section.
- Requirement to conduct investigations violates this section.

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CHANGES SHOULD NOT BE VIEWED IN ISOLATION

- Beginning in September 2004, the use tax on diesel fuel deposited in the general fund and school aid fund was changed to a specific tax to comply with streamlined sales tax agreement..
- Result was that this tax was transferred to MTF.
- The amount of the revenue reduction was \$73 million– 12 times what is at issue in this bill.

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